



**Annual General Meeting**  
**Friday, June 30, 2006**





# NOVRA TECHNOLOGIES INC.

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Suite 900, 330 St. Mary Avenue  
Winnipeg, Manitoba  
R3C 3Z5

June 2, 2006

Dear Shareholder:

You are cordially invited to attend the Annual General Meeting of Shareholders of Novra Technologies Inc., in the Campaign A Room, the Delta Hotel, 350 St. Mary Avenue, Winnipeg, Manitoba on Friday, the 30<sup>th</sup> day of June 2006 at the hour of 1:30 p.m. (Winnipeg time). Your Board of Directors and management look forward to greeting personally those shareholders able to attend.

During the 2005 fiscal year, Novra's sales increased by over 147% to \$4,249,855 compared to sales of \$1,717,443 for 2004, which enabled the company to become profitable. We are pleased with the company's performance as this is the third consecutive year that the company has shown significant year-over-year product sales improvements of 85% to 147% per year despite the appreciation of the Canadian Dollar against the US dollar which is the currency for all of our sales.

These results are, in large part, due to our marketing efforts in the past 24 months targeting service providers along with the establishment of our international reseller network that is now beginning to show strong results. Starting in late 2004 we noticed an increase in the number of requests from various international integrators and service providers to become resellers of our products. Our main marketing focus is to continue the expansion of our reseller network and systems integrators in the USA, Europe and the Far East.

The company also received a \$225,000 contract to enhance our IP Encapsulators to make them compatible with the DVB-S2 standard. Our sales for 2005 reflect a 60% milestone payment under this contract. This contract will be completed by the end of December 2006.

During the second quarter we received an initial order from our Japanese distributor of over 2,000 units of our S75 receiver and in third and fourth quarters of 2005 we also received follow-on orders for an additional 8,000 units. These units are used to distribute IP-TV in Japan. IP-TV is a new method to distribute video to many locations using the Internet Protocol (IP) standards.

During 2005 we established a new European reseller for our NovraLink digital signage products and as a result of this relationship we now have several new pilot projects outside of the UK. In the UK our NovraLink players have been installed in approximately 2000 locations for digital signage and entertainment applications through our reseller Avanti Screenmedia. In 2005 we shipped over 700 of our NovraLink digital signage players and late in December we licensed our NovraLink software suite to one of our European resellers. This will result in an up-front fee to be paid to Novra in 2006 and the agreement includes a per client license fee going forward.

Starting in the last quarter of 2005, we noticed an increase in the number of requests from various international integrators and service providers for our NovraLink product offerings. Our main marketing focus for 2006 is to establish NovraLink resellers around the world.

Novra continued with its research and development on a new family of Satellite receivers along with continued enhancements to its NovraLink products, which are targeted for digital signage applications and entertainment (music and video) services for the hospitality industry. The design enhancements implemented on these products were intended to improve performance, add new functionality and reduce the cost of manufacturing.

We are very excited about the opportunities and challenges that are ahead of us and we believe hard work, persistence, determination and ingenuity will enable Novra to achieve its goals.

We wish to thank our shareholders for their participation and support.

*"Harris Liontas"*  
President & CEO



# **NOVRA TECHNOLOGIES INC.**

## **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Shareholders of **NOVRA TECHNOLOGIES INC.** (hereinafter called the "Company") will be held in the Campaign A Room, the Delta Hotel, 350 St. Mary Avenue, Winnipeg, Manitoba on Friday, the 30<sup>th</sup> day of June, 2006 at the hour of 1:30 p.m. (Winnipeg time), for the following purposes:

1. To receive and consider the Annual Report to the Shareholders and the audited financial statements of the Company for the fiscal year ended December 31, 2005, together with notes thereto and the report of the auditor thereon;
2. To elect Directors for the ensuing year;
3. To appoint the auditor for the ensuing year and to authorize the Directors to fix the auditor's remuneration; and
4. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this Notice are the Company's Annual Report to Shareholders including the audited consolidated financial statements for the fiscal year ended December 31, 2005, an Information Circular and a form of Proxy. The accompanying Information Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice.

Members are entitled to vote at the meeting either in person or by proxy. Those who are unable to attend the meeting are requested to read, complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Information Circular accompanying this Notice. Please advise the Company of any change in your mailing address.

If you are not a registered shareholder, please refer to the accompanying Information Circular from information on how to vote your shares.

DATED at Winnipeg, Manitoba, this 2<sup>nd</sup> day of June, 2006.

**BY ORDER OF THE BOARD**

"Harris Lontas"  
President



# **NOVRA TECHNOLOGIES INC.**

## **MANAGEMENT INFORMATION CIRCULAR**

The information contained in this Information Circular, unless otherwise indicated, is as of June 2, 2006.

This Information Circular is being mailed by the management of Novra Technologies Inc. to everyone who was a shareholder of record of our company on May 17, 2006, which is the date that has been fixed by the directors of Novra as the record date to determine the shareholders who are entitled to receive notice of the meeting.

We are mailing this Information Circular in connection with the solicitation of proxies by and on behalf of our management for use at the annual meeting of the shareholders of Novra that is to be held on Friday, June 30, 2006 at 1:30 p.m. (Winnipeg time) in the Campaign A Room, the Delta Hotel, 350 St. Mary Avenue, Winnipeg, Manitoba. The solicitation of proxies will be primarily by mail. Certain employees or directors of Novra may also solicit proxies by telephone or in person. The cost of solicitation will be borne by Novra.

Under our Bylaws, at least two shareholders must be present in person or represented by proxy holding or representing not less than 1/10th of the shares entitled to vote at the meeting before any action may validly be taken at the meeting. If such a quorum is not present in person or by proxy, we will reschedule the meeting.

### **PART 1 – VOTING**

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#### **HOW A VOTE IS PASSED**

All of the matters that will come to a vote at the meeting are ordinary resolutions and can be passed by a simple majority – that is, if more than half of the votes that are cast are in favour, then the resolution is approved.

#### **WHO CAN VOTE?**

If you are a registered shareholder of Novra as at May 17, 2006, you are entitled to attend at the meeting and cast a vote for each share registered in your name on all resolutions put before the meeting. If the shares are registered in the name of a corporation, a duly authorized officer of the corporation may attend on its behalf but documentation indicating such officer's authority should be presented at the meeting. If you are a registered shareholder but do not wish to, or cannot, attend the meeting in person you can appoint someone who will attend the meeting and act as your proxyholder to vote in accordance with your instructions (see "Voting by Proxy"). If your shares are registered in the name of a "nominee" (usually a bank, trust company, securities dealer or other financial institution) you should refer to the section entitled "Non-registered Shareholders" set out below.

It is important that your shares be represented at the meeting regardless of the number of shares you hold. If you will not be attending the meeting in person, we invite you to complete, date, sign and return your form of proxy as soon as possible so that your shares will be represented.

#### **VOTING BY PROXY**

If you do not come to the meeting, you can still make your votes count by appointing someone who will be there to act as your proxyholder. You can either tell that person how you want to vote or you can let him or her decide for you. You can do this by completing a form of proxy.

In order to be valid, you must return the completed form of proxy to Novra's transfer agent, Pacific Corporate Trust Company, 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9; facsimile number (604) 689-8144, no later than 48 hours (Saturdays, Sundays and holidays excluded) prior to the time of the meeting or any adjournment thereof. Methods for delivery of a completed form of proxy are included on the enclosed form of proxy or request for voting instructions.



### *What is a proxy?*

A form of proxy is a document that authorizes someone to attend the meeting and cast your votes for you. We have enclosed a form of proxy with this Information Circular. You should use it to appoint a proxyholder, although you can also use any other legal form of proxy.

### *Appointing a proxyholder*

You can choose any individual to be your proxyholder. It is not necessary for the person whom you choose to be a shareholder. To make such an appointment, simply fill in the person's name in the blank space provided in the enclosed form of proxy. To vote your shares, your proxyholder must attend the meeting. If you do not fill a name in the blank space in the enclosed form of proxy, the persons named in the form of proxy are appointed to act as your proxyholder. Those persons are directors and/or officers of Novra.

### *Instructing your proxy*

You may indicate on your form of proxy how you wish your proxyholder to vote your shares. To do this, simply mark the appropriate boxes on the form of proxy. If you do this, your proxyholder must vote your shares in accordance with the instructions you have given.

If you do not give any instructions as to how to vote on a particular issue to be decided at the meeting, your proxyholder can vote your shares as he or she thinks fit. If you have appointed the persons designated in the form of proxy as your proxyholder they will, unless you give contrary instructions, vote your shares at the meeting as follows:

- ✓ **FOR the election of the proposed nominees as directors;**
- ✓ **FOR the re-appointment of Collins Barrow, Chartered Accountants, as the auditor of Novra; and**
- ✓ **FOR the resolution to authorize the directors to fix the remuneration to be paid to the auditor.**

For more information about these matters, see Part 3 - The Business of the Meeting. The enclosed form of proxy gives the persons named on it the authority to use their discretion in voting on amendments or variations to matters identified on the Notice of Meeting. At the time of printing this Information Circular, the management of Novra is not aware of any other matter to be presented for action at the meeting. If, however, other matters do properly come before the meeting, the persons named on the enclosed form of proxy will vote on them in accordance with their best judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

### *Changing your mind*

If you want to revoke your proxy after you have delivered it, you can do so at any time before it is used. You may do this by (a) attending the meeting and voting in person; (b) signing a proxy bearing a later date; (c) signing a written statement which indicates, clearly, that you want to revoke your proxy and delivering this signed written statement to the Registered Office of Novra at Suite 1700, 360 Main Street, Winnipeg, Manitoba R3C 3Z3; or (d) in any other manner permitted by law.

Your proxy will only be revoked if a revocation is received by 5:00 in the afternoon (Vancouver time) on the last business day before the day of the meeting, or any adjournment thereof, or delivered to the person presiding at the meeting before it (or any adjournment) commences. If you revoke your proxy and do not replace it with another that is deposited with us before the deadline, you can still vote your shares but to do so you must attend the meeting in person.



## NON-REGISTERED SHAREHOLDERS

If your shares are not registered in your own name, they will be held in the name of a “nominee,” usually a bank, trust company, securities dealer or other financial institution and, as such, your nominee will be the entity legally entitled to vote your common shares and must seek your instructions as to how to vote your shares.

Accordingly, unless you have previously informed your nominee that you do not wish to receive material relating to shareholders’ meetings, you will have received this Information Circular from your nominee, together with a form of proxy or a request for voting instruction form. If that is the case, **it is most important that you comply strictly with the instructions that have been given to you by your nominee on the voting instruction form.** If you have voted and wish to change your voting instructions, you should contact your nominee to discuss whether this is possible and what procedures you must follow.

If your shares are not registered in your own name, Novra’s transfer agent will not have a record of your name and, as a result, unless your nominee has appointed you as a proxyholder, will have no knowledge of your entitlement to vote. If you wish to vote in person at the meeting, therefore, please insert your own name in the space provided on the form of proxy or voting instruction form that you have received from your nominee. If you do this, you will be instructing your nominee to appoint you as proxyholder. Please adhere strictly to the signature and return instructions provided by your nominee. It is not necessary to complete the form in any other respect, since you will be voting at the meeting in person. Please register with Novra’s representatives upon your arrival at the meeting.

## PART 2 - VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Novra has authorized capital of an unlimited number of common shares and an unlimited number of Class A preferred shares, all without par value. Each shareholder is entitled to one vote for each common share registered in his or her name at the close of business on May 17, 2006, the date fixed by our directors as the record date for determining who is entitled to receive notice of and to vote at the meeting.

At the close of business on May 17, 2006, 22,387,993 common shares in the capital of Novra were outstanding. To the knowledge of our directors and officers, the only persons or companies who or which beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of our common shares on that date were:

Name <sup>(1)</sup>	Number of common shares <sup>(1)</sup>	Percentage of issued shares
Crocus Investment Fund	3,666,660	16.4%
Harris Liontas <sup>(2)</sup>	2,294,757 <sup>(3)</sup>	10.3% <sup>(3)</sup>
Mohamed Barakat	2,294,757 <sup>(3)</sup>	10.3% <sup>(3)</sup>
Lotfollah Shafai	2,294,757	10.3%

<sup>(1)</sup> Information as to ownership of shares has been taken from the list of registered shareholders maintained by Pacific Corporate Trust Company or has been provided by the individuals.

<sup>(2)</sup> See Part 3 – The Business of the Meeting – Election of Directors.

<sup>(3)</sup> In addition, InfoMagnetics Technologies Corporation, a company controlled, directly or indirectly, by Harris Liontas and Mohamed Barakat, is the registered owner of 1,500,000 common shares of Novra representing 6.7% of the outstanding common shares; these shareholdings are not included in the numbers and percentages reported in the table above.

## PART 3 - THE BUSINESS OF THE MEETING

### REPORT OF THE DIRECTORS

The Annual Report of the directors of Novra for the year ended December 31, 2005, including audited financial statements, notes thereto and the report of the auditor thereon, as well as Management’s Discussion and Analysis for the period, accompanies this Information Circular.



## FINANCIAL STATEMENTS

The audited financial statements of Novra for the year ended December 31, 2005, will be placed before you at the meeting. These financial statements have been mailed to shareholders together with the Notice of Meeting and this Information Circular.

## ELECTION OF DIRECTORS

Directors of Novra are elected for a term of one year. The term of office of each of the nominees proposed for election as a director will expire at the meeting, and each of them, if elected, will serve until the close of the next annual general meeting, unless he resigns or otherwise vacates office before that time. Pursuant to the *Canada Business Corporations Act* and the requirements of the TSX Venture Exchange, Novra must have a minimum of three directors, two of whom are neither officers or employees of Novra. We currently have four directors.

### *Nominees for Election*

The following are the nominees proposed for election as directors of Novra, together with the number of common shares and stock options that are beneficially owned, directly or indirectly, or over which control or direction is exercised, by each nominee. Four of the five the nominees are currently directors. Each of the nominees has agreed to stand for election or re-election and we are not aware of any intention of any of them not to do so. If, however, one or more of them should become unable to stand for election or re-election, it is likely that one or more other persons would be nominated at the meeting for election and, in that event, the persons designated in the form of proxy will vote in their discretion for a substitute nominee.

Name and place of residence	Principal occupation	Director since	Number of shares <sup>(2)</sup>	Number of options
Harris Liontas <sup>(3)</sup> Manitoba, Canada  <i>President, Chief Executive Officer and Director</i>	President and Chief Executive Officer of Novra Technologies Inc.	June 6, 2001	2,294,757 <sup>(3)</sup>	100,000
Kelvin Maloney <sup>(1)</sup> Manitoba, Canada  <i>Director</i>	Investment Manager, FCC Ventures, since 2006; Investment Analyst, Crocus Investment Fund from 1998 to 2005.	June 24, 2005	Nil	Nil
Patrick Michaels Zürich, Switzerland	Executive Vice President, Precious Capital AG since 2005; Asset Manager/ Investment Adviser, Zuri-Invest AG since 2002; Asset Manager / Member of the Board of Directors, Asty Capital AG since 1998	N/A	Nil	Nil
Chris Theodoropoulos <sup>(1)</sup> British Columbia, Canada  <i>Director</i>	Associate Counsel, Getz Prince Wells LLP (law firm) since November 2003; independent legal and business consultant 1996 to November 2003.	April 25, 1997	1,491,500	100,000



Name and place of residence	Principal occupation	Director since	Number of shares <sup>(2)</sup>	Number of options
Peter J. Wintemute, FCA <sup>(1)</sup> Manitoba, Canada  <i>Acting Chair of the Board and Director</i>	Chairman and CEO, The Exchange Chartered Accountants llp, since 1975.	June 20, 2003	Nil	Nil

- (1) Member of the Audit Committee (see Part 6 – Audit Committee). This is the only committee of the Board of Directors.
- (2) The information as to shares beneficially owned, not being within the knowledge of the management of Novra, has been furnished by the respective individuals or has been extracted from the register of shareholdings maintained by Novra's transfer agent.
- (3) In addition, InfoMagnetics Technologies Corporation, a company controlled, directly or indirectly, by Harris Liontas and Mohamed Barakat, is the registered owner of 1,500,000 common shares of Novra representing 6.7% of the outstanding common shares; these shareholdings are not included in the number and percentage reported in the table above. See Part 2 – Voting Securities and Principal Holders Thereof.

### ***Nominated New Board Members***

#### **Patrick Michaels**

Mr. Michaels studied Economics and Law at the University of Zurich. He has extensive experience as an asset manager, executive and board member. He currently holds the positions of Executive Vice President with Precious Capital AG (since 2005), Asset Manager/ Investment Adviser with Zuri-Invest AG (since 2002), and Asset Manager / Member of the Board of Directors of Asty Capital AG (since 1998).

**Novra's management recommends that shareholders vote in favour of the nominees for election as directors. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the election of the four nominees as directors of Novra for the ensuing year.**

### **APPOINTMENT OF THE AUDITOR**

During the financial year ended December 31, 2005, Collins Barrow, Chartered Accountants, served as Novra's auditor and have served as auditor of Novra since the acquisition by Century Gold Corp. (the predecessor reporting company to Novra) in fiscal 2001. Prior to this, Jones Richards and Company was the auditor of Century Gold Corp. See Part 6 – Audit Committee – External Auditor Service Fees.

**Novra's management recommends that shareholders vote in favour of the re-appointment of Collins Barrow, Chartered Accountants, as Novra's auditor for the ensuing year and grant the Board of Directors the authority to determine the remuneration to be paid to the auditor. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Collins Barrow to act as our auditor until the close of our next annual general meeting and also intend to vote FOR the proposed resolution to authorize the Board of Directors to fix the remuneration to be paid to the auditor.**

### **PART 4 – EXECUTIVE COMPENSATION**

#### **COMPENSATION OF NAMED EXECUTIVE OFFICERS**

Harris Liontas served as Chief Executive Officer (the "Named Executive Officer") of Novra throughout the financial year ended December 31, 2005. Novra does not have a Chief Financial Officer. No executive officer of Novra was paid more than \$150,000 in compensation during that financial year. The following table provides a summary of the compensation earned by the Named Executive Officer during the financial year ended December 31, 2005 and in the preceding two financial years, as applicable.



## Summary Compensation

Name and principal position	Fiscal year ended	Annual Compensation			Long-Term Compensation
		Salary	Bonus	Other annual compensation	Securities under options granted
Harris Liontas	2005	\$105,000	Nil	Nil	Nil
Chief Executive Officer	2004	\$150,000	Nil	Nil	Nil
	2003	\$150,000	Nil	Nil	100,000

## Options

No options were granted to the Named Executive Officers and no options were repriced during the financial year ended December 31, 2005, nor were any options exercised by the Named Executive Officers. The following table sets out the value of unexercised incentive stock options, if any, as at December 31, 2005.

Named Executive Officer	Securities acquired on exercise	Aggregate value realized	Unexercised options as at year end December 31, 2005 Exercisable/Unexercisable	Value of unexercised in-the-money options at year end December 31, 2005 <sup>(2)</sup> Exercisable/Unexercisable
Harris Liontas Chief Executive Officer	Nil	N/A	100,000/0	Nil / Nil

<sup>(1)</sup> The value of unexercised "in-the-money options" at financial year end is the difference between the option exercise price and the closing price of the underlying stock on the TSX Venture Exchange on December 31, 2005. The closing price of Novra's shares on December 29, 2005 (the last day of the financial year when trades were reported) was \$0.08.

## COMPENSATION OF DIRECTORS

Novra compensates their non-management directors for their services in the capacity as directors with an annual fee of \$8,000. During the financial year ended December 31, 2005, Novra paid an aggregate \$35,011 in fees to its non-management directors. In addition, directors are entitled to be reimbursed for reasonable expenditures incurred in performing their duties as directors. Novra may, from time to time, grant options to purchase common shares to the directors, however, no stock options were granted to the directors during the fiscal year ended December 31, 2005. See the table included in Part 3 – The Business of the Meeting – Election of Directors for details of outstanding options held by Novra's directors.

During the fiscal year ended December 31, 2005, Novra incurred costs for occupancy and other professional software development services and administrative expenses totalling \$57,891 to InfoMagnetics Technologies Corporation, a company controlled, directly or indirectly, by Harris Liontas, the President, Chief Executive Officer and a director of Novra, and Mohamed Barakat. Both Messrs. Liontas and Barakat are principal shareholders of Novra (see Part 2 – Voting Shares and Principal Holders Thereof).

## PART 5 – SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following information is as of December 31, 2005, Novra's most recently completed financial year.



<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders <sup>(1)</sup>	1,540,000	\$0.50	2,060,000
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>1,540,000</b>	<b>\$0.50</b>	<b>2,060,000</b>

<sup>(1)</sup> See Note 8 to Novra's audited financial statements for the year ended December 31, 2005, for a description of the material features of the plan.

## **PART 6 – AUDIT COMMITTEE**

### **AUDIT COMMITTEE CHARTER**

The Charter for the Audit Committee of the Board of Directors of Novra is attached to this Circular as Appendix A.

### **AUDIT COMMITTEE MEMBERS**

Messrs. Lontas, Maloney, Theodoropoulos and Wintemute are members of Novra's Audit Committee. Messrs. Maloney, Theodoropoulos and Wintemute are considered "independent" as that term is defined in applicable securities legislation, and all four of the Audit Committee members have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Novra's financial statements.

### **RELEVANT EDUCATION AND EXPERIENCE**

All of the Audit Committee members are senior-level businessmen with experience in financial matters; each has a broad understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavor. In addition, certain of the members of the Audit Committee have knowledge of the role of an audit committee in the realm of reporting companies from their experience as directors of companies other than Novra.

#### **Kelvin Maloney**

Kelvin is currently Investment Manager with FCC Ventures. Immediately prior to this he was with Crocus from 1998 to 2005. Kelvin has an MBA and Bachelor of Science in Computer Engineering, both from the University of Manitoba. He has experience in a broad range of industries including information technology, biotechnology, primary and value-added agriculture, manufacturing and financial services. Prior to joining Crocus, Kelvin worked for the management-consulting arm of a major international accounting firm. At this position he focused mainly in the areas of financial modeling, business valuations and strategic planning. Kelvin holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute and the Winnipeg Society of Financial Analysts.

## Chris Theodoropoulos

Chris Theodoropoulos received his civil law degree (BCL) in 1981 and his common law degree (LLB) in 1982, both from McGill University. For the past 20 years he has practised principally in the fields of corporate, securities, mining and commercial law involving publicly traded companies and as a principal of a privately held mining and exploration company. He has acted as chairman of a public company and as vice-president and general counsel of a publicly traded engineering and construction firm. Mr. Theodoropoulos has held a number of directorships in public companies involved in the mining and technology sectors, including Norsat International Inc. He is currently Associate Counsel with the law firm of Getz Prince Wells LLP in Vancouver and is a director of Peer 1 Network Enterprises, Inc. and Chairman of GoldQuest Mining Corp., both publicly traded companies on the TSX Venture Exchange; and he is director of Canarc Resource Corp., a publicly traded company on the Toronto Stock Exchange. In addition, he is the President of Dominion Goldfields Corporation, a private investment company, and serves as Chairman of the Board of Africo Resources Ltd., a private corporation that indirectly controls the Kalukundi copper/cobalt deposits in the Democratic Republic of the Congo.

## Peter Wintemute

Mr. Wintemute FCA, has been the Chairman and CEO, since 1975, of Wintemute, Randle, Kilimnik, Chartered Accountants, predecessor to The Exchange Group which is comprised of The Exchange Chartered Accountants llp, The Exchange Solutions Inc and 123 Bannatyne Avenue Inc. Mr. Wintemute is a current director of SecuriCan General Insurance Corporation, operator of Pet Plan Insurance, Health Investment Management Worldwide Inc, 75 North Corp, and other Manitoba corporations. Mr. Wintemute has served as a director of the Manitoba Public Insurance Corporation for 13 years up to 2000 and chaired the audit committee during that time.

## EXTERNAL AUDITOR SERVICE FEES

### *Audit Fees*

Aggregate audit fees billed (by category) by Collins Barrow, Novra's external auditor, in each of the last two fiscal years are set out in the table below.

	<b>Fiscal year ended December 31, 2005</b>	<b>Fiscal year ended December 31, 2004</b>
Audit fees	\$16,165	\$11,200 <sup>(1)</sup>
Audit related fees <sup>(2)</sup>	\$3,651	\$6,166

<sup>(1)</sup> Includes professional services rendered for preparation of corporate tax returns for Novra for the year ended December 31, 2003.

<sup>(2)</sup> Professional services provided by the external auditor in assisting management in preparation of interim financial statements and not included in the amount noted under audit fees.

## RELIANCE ON EXEMPTION

As Novra is a "Venture Issuer" pursuant to relevant securities legislation, Novra is relying on the exemption in Section 6.1 of Multilateral Instrument 52-110-Audit Committees ("MI 52-110") from the reporting requirements of Part 3 and Part 5 of MI 52-110.

## PART 7 – CORPORATE GOVERNANCE

Follows is a summary of Novra's approach to corporate governance.

### *Composition of the Board*

Three of Novra's four current directors (all nominees for re-election as directors at the meeting) are considered "independent", as that term is defined in applicable securities legislation. Harris Lontas, by virtue of being the President and Chief Executive Officer of Novra, is the only director who is a member of management and,



as such, determined to be non-independent. The Board considers Peter Wintemute, the acting Chair of the Board, to be independent as he is not directly involved in management of the day-to-day operations of Novra or any of its subsidiaries, and the Board is satisfied that there is no material relationship existing between Mr. Wintemute and Novra, either directly or as a partner, shareholder or officer of an organization that has a material relationship with Novra.

Based on a review and analysis of their financial, contractual and other relationships to Novra and with senior management, it has been determined by the Board that a majority of the directors are unrelated, independent of management and free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of Novra, other than interests and relationships arising from shareholdings. See Part 3 – The Business of the Meeting – Election of Directors.

### ***Other Directorships***

The following directors are directors of other reporting issuers:

<u>Name</u>	<u>Reporting Issuer (or equivalent in a foreign jurisdiction)</u>
Chris Theodoropoulos	Canarc Resource Corp. Peer 1 Network Enterprises, Inc. GoldQuest Mining Corp.

### ***Orientation and Continuing Education***

The Board of Directors is responsible for the orientation and education of new recruits to the Board of Directors. Prior to joining the Board of Directors, each new director will meet with the Chair of the Board and the President and Chief Executive Officer of Novra. Each such officer shall be responsible for outlining the business and prospects of Novra, both positive and negative, with a view to ensuring that the new director is properly informed to commence his or her duties as a director. Each new director will also be given the opportunity to meet with Novra's external auditor and legal counsel, as may be required.

### ***Code of Business Ethics***

To date, the Board of Directors has not adopted a formal written Code of Business Conduct and Ethics. However, the current limited size of Novra's operations and the small number of officers and employees allow the independent members of the Board of Directors to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As Novra grows in size and scope, the Board of Directors anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

### ***Nomination of Directors***

The Board of Directors determines new nominees to the Board of Directors, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the members of the Board of Directors, including both formal and informal discussions among directors and the President and Chief Executive Officer. The current size of the Board of Directors is such that the entire Board of Directors takes responsibility for selecting new directors and assessing current directors. Proposed directors' credentials are reviewed with one or more members of the Board of Directors prior to the proposed director's nomination.

### ***Assessments***

The Board of Directors does not, at present, have a formal process in place for assessing the effectiveness of the Board of Directors as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on Novra's size, its stage of development and the limited number of individuals on the Board of Directors, the Board of Directors considers a formal assessment process to be inappropriate at this time. The Board of Directors plans to continue evaluating its own effectiveness on an ad hoc basis.

### ***Compensation of the CEO***

The Board of Directors is responsible for determining all forms of compensation to be granted to the Chief Executive Officer of Novra and to the directors, and for reviewing the Chief Executive Officer's recommendations respecting compensation of the other key employees of Novra, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of its executive officer and other key employees, the Board considers: i) recruiting and retaining executives critical to the success of Novra and the enhancement of shareholder value; ii) providing fair and competitive compensation; iii) balancing the interests of management and Novra's shareholders; and iv) rewarding performance, both on an individual basis and with respect to operations in general. In order to achieve these objectives, the compensation paid to the Novra's Chief Executive Officer consists of two components: i) base salary; and ii) long-term incentive in the form of stock options.

### ***Committees of the Board of Directors***

The Board of Directors of Novra has appointed only one committee - an Audit Committee. For information regarding the Audit Committee, see Part 6 - Audit Committee and Appendix A - Audit Committee Charter.

## **PART 8 – OTHER INFORMATION**

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### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise set out herein, no proposed nominee for election as a director, and no director or executive officer of Novra who has served in such capacity since the beginning of the last financial year of Novra, and no shareholder holding of record or beneficially, directly or indirectly, more than 10% of Novra's outstanding common shares, and none of the respective associates or affiliates of any of the foregoing, had any interest in any transaction with Novra or in any proposed transaction since the beginning of the last completed financial year that has materially affected Novra, or is likely to do so.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON AT THE MEETING**

Messrs. Liontas, Theodoropoulos and Wintemute have served as the directors and executive officers of Novra since the beginning of the last completed financial year ended December 31, 2005. Mr. Maloney was elected as a director at the last annual meeting of shareholders held June 24, 2005.

None of the directors or executive officers of Novra, no proposed nominee for election as a director of Novra, none of the persons who have been directors or executive officers of Novra since the commencement of Novra's last completed financial year, none of the other insiders of Novra and no associate or affiliate of any of the foregoing persons has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting other than the election of the directors.

### **MANAGEMENT CONTRACTS**

The management functions of Novra are performed by our directors and executive officers and we have no management agreements or arrangements under which such management functions are performed by persons other than the directors and executive officers of Novra. See Part 4 – Executive Compensation.

### **CEASE TRADE ORDERS AND BANKRUPTCY**

As at the date of this Circular, no proposed nominee for election as a director of Novra is, or has been, within ten years before the date of this Circular, a director or executive officer of any company (including Novra) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;



- (b) was subject to an event that resulted, after the director or executive officer ceased to be director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period or more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

## **PERSONAL BANKRUPTCY**

As at the date of this Circular, no proposed nominee for election as a director of Novra has, within the ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

## **OTHER MATTERS**

Management of Novra is not aware of any other matters to come before the meeting other than as set forth in the Notice of Meeting that accompanies this Information Circular. If any other matter properly comes before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

## **ADDITIONAL INFORMATION**

You may obtain additional financial information about Novra in our comparative financial statements and Management's Discussion and Analysis for the year ended December 31, 2005, which is included with this Information Circular. Additional copies may be obtained without charge upon request to us at Suite 900, 330 St. Mary Avenue, Winnipeg, Manitoba R3C 3Z5 - telephone (204) 989-4724; facsimile (204) 989-4640. You may also access our disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## **DIRECTORS' APPROVAL**

The Board of Directors of Novra Technologies Corp. has approved the contents of this Information Circular and its distribution to each shareholder entitled to receive notice of the meeting.

Winnipeg, Manitoba, June 2<sup>nd</sup>, 2006.

"Harris Lontas"  
Harris Lontas  
President and Chief Executive Officer

## **APPENDIX A**

### **NOVRA TECHNOLOGIES INC.**

#### **CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

##### **1. Purpose**

- 1.1. The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee's role is to:
  - (a) support the Board of Directors in meeting its responsibilities to shareholders;
  - (b) enhance the independence of the external auditor;
  - (c) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
  - (d) increase the credibility and objectivity of the Corporation's financial reports and public disclosure.
- 1.2. The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described herein.
- 1.3. The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

##### **2. Membership**

- 2.1. Each member of the Audit Committee must be a director of the Corporation.
- 2.2. The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Corporation or any of its affiliates and are considered "independent" as that term is defined in Multilateral Instrument 52-110.
- 2.3. The members of the Audit Committee will be appointed annually by and will serve at the discretion of the Board of Directors.

##### **3. Authority**

- 3.1. In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:
  - (a) engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities;
  - (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
  - (c) approve interim financial statements and interim MD&A on behalf of the Board of Directors.



#### **4. Duties and Responsibilities**

4.1. The duties and responsibilities of the Audit Committee include:

- (a) recommending to the Board of Directors the external auditor to be nominated by the Board of Directors;
- (b) recommending to the Board of Directors the compensation of the external auditor;
- (c) reviewing the external auditor's audit plan, fee schedule and any related services proposals;
- (d) overseeing the work of the external auditor;
- (e) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor;
- (f) ensuring that the external auditor meets the rotation requirements for partners and staff on the Corporation's audits;
- (g) reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management;
- (h) reviewing the external auditor's report, audit results and financial statements prior to approval by the Board of Directors;
- (i) reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public;
- (j) reviewing financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information;
- (k) ensuring adequate procedures are in place for review of all public disclosure of financial information by the Corporation, prior to its dissemination to the public;
- (l) overseeing the adequacy of the Corporation's system of internal accounting controls and internal audit process obtaining from the external auditor summaries and recommendations for improvement of such internal accounting controls;
- (m) ensuring the integrity of disclosure controls and internal controls over financial reporting;
- (n) resolving disputes between management and the external auditor regarding financial reporting;
- (o) establishing procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
  - (ii) the confidential, anonymous submission by employees of the Corporation or concerns regarding questionable accounting or auditing matters.
- (p) reviewing and approving the Corporation's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;

- (q) pre-approving all non-audit services to be provided to the Corporation or any subsidiaries by the Corporation's external auditor;
- (r) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities.

4.2. The Audit Committee will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

## **5. Meetings**

- 5.1. The quorum for a meeting of the Audit Committee is a majority of the members of the Committee who are not officers or employees of the Corporation or of an affiliate of the Corporation.
- 5.2. The members of the Audit Committee must elect a chair from among their number and may determine their own procedures.
- 5.3. The Audit Committee may establish its own schedule that it will provide to the Board of Directors in advance.
- 5.4. The external auditor is entitled to receive reasonable notice of every meeting of the Audit Committee and to attend and be heard thereat.
- 5.5. A member of the Audit Committee or the external auditor may call a meeting of the Audit Committee.
- 5.6. The Audit Committee will meet separately with the President and separately with the Chief Financial Officer of the Corporation at least annually to review the financial affairs of the Corporation.
- 5.7. The Audit Committee will meet with the external auditor of the Corporation at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.
- 5.8. The chair of the Audit Committee must convene a meeting of the Audit Committee at the request of the external auditor, to consider any matter that the auditor believes should be brought to the attention of the Board of Directors or the shareholders.

## **6. Reports**

- 6.1. The Audit Committee will record its recommendations to the Board in written form which will be incorporated as a part of the minutes of the Board of Directors' meeting at which those recommendations are presented.

## **7. Minutes**

- 7.1. The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.



**Novra Technologies Inc.**

**Auditors' Report and  
Financial Statements**

**December 31, 2005**



401 Century Plaza  
1000 Bay Avenue  
Winnipeg, Canada  
R3C 4C6  
(204) 540-0001  
Fax: (204) 944-0071

## Auditors' Report

### To the Shareholders of Novra Technologies Inc.

We have audited the balance sheets of Novra Technologies Inc. as at December 31, 2005 and December 31, 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and December 31, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read 'Collins Barrow', written in a cursive, flowing style.

Winnipeg, Canada  
April 11, 2006

CHARTERED ACCOUNTANTS



# **Novra Technologies Inc.**

## **Financial Statements December 31, 2005**

### **Contents**

#### **Financial Statements**

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# Novra Technologies Inc.

## Balance Sheet December 31, 2005

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets		
Cash and short term investments	\$ 1,597,384	\$ 645,233
Marketable securities, at cost (note 3)	1	1
Accounts receivable (note 4)	659,635	247,044
Inventory	304,701	407,374
Prepaid expenses	<u>13,264</u>	<u>12,041</u>
	2,574,985	1,311,693
Property, plant and equipment (note 5)	<u>129,873</u>	<u>163,213</u>
	<u>\$ 2,704,858</u>	<u>\$ 1,474,906</u>
<b>Liabilities</b>		
Current liabilities		
Bank loan, secured (note 6)	\$ 350,000	\$ 325,000
Accounts payable and accrued liabilities	607,716	386,408
Current portion of long term debt	<u>596,059</u>	<u>556,427</u>
	1,553,775	1,267,835
Convertible debt (note 7)	<u>804,691</u>	<u>262,511</u>
	<u>2,358,466</u>	<u>1,530,346</u>
<b>Shareholders' Equity</b>		
Share capital (note 8 )	6,056,729	6,056,729
Deficit	<u>(5,710,337)</u>	<u>(6,112,169)</u>
	<u>346,392</u>	<u>(55,440)</u>
	<u>\$ 2,704,858</u>	<u>\$ 1,474,906</u>

### Approved on Behalf of the Board:

"Harris Liontas"\_\_\_\_\_, Director

"Peter Wintemute"\_\_\_\_\_, Director



# Novra Technologies Inc.

## Statement of Operations and Deficit For The Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Sales	\$ 4,249,855	\$ 1,717,618
Cost of sales	<u>2,197,093</u>	<u>836,071</u>
Gross margin	<u>2,052,762</u>	<u>881,547</u>
Expenses		
Amortization	33,340	46,937
Business development and marketing	445,143	368,634
Corporate and investor relations services	9,812	17,665
Directors' fees and expenses	35,011	67,753
General and administrative	475,203	537,746
Research and development	<u>598,008</u>	<u>707,755</u>
	<u>1,596,517</u>	<u>1,746,490</u>
Income (loss) from operations	<u>456,245</u>	<u>(864,943)</u>
Other items:		
Interest and other income	6,104	5,015
Recovery on write-off of mineral property costs		25,000
Foreign exchange gain (loss) - realized	(35,677)	(49,269)
Foreign exchange gain (loss) - unrealized	<u>(24,840)</u>	<u>(13,200)</u>
	<u>(54,413)</u>	<u>(32,454)</u>
Net income (loss) for the year	401,832	(897,397)
Deficit, beginning of the year	<u>(6,112,169)</u>	<u>(5,214,772)</u>
Deficit, end of the year	<u><u>\$(5,710,337)</u></u>	<u><u>\$(6,112,169)</u></u>
Earnings (loss) per share: based on the weighted average number of shares outstanding during the year	<u><u>0.018</u></u>	<u><u>(0.042)</u></u>

# Novra Technologies Inc.

## Statement of Cash Flows

For The Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
<b>Cash Provided By (Used For)</b>		
Operating activities		
Cash receipts from customers and government assistance	\$ 3,837,263	\$ 1,890,365
Cash paid to suppliers and employees	(3,416,217)	(2,406,657)
Interest income	<u>6,104</u>	<u>5,016</u>
	<u>427,150</u>	<u>(511,276)</u>
Investing activities		
Mineral property costs recovered	<u></u>	<u>25,000</u>
Financing activities		
Issue of shares		250,000
Increase in convertible debt	<u>500,000</u>	<u>250,000</u>
	<u>500,000</u>	<u>500,000</u>
Increase in cash position	927,150	13,724
Cash and cash equivalents, beginning of the year	<u>320,233</u>	<u>306,509</u>
Cash and cash equivalents, end of the year	<u>\$ 1,247,383</u>	<u>\$ 320,233</u>
 Cash and cash equivalents consists of:		
Cash and short term investments	\$ 1,597,383	\$ 645,233
Bank loan	<u>(350,000)</u>	<u>(325,000)</u>
	<u>\$ 1,247,383</u>	<u>\$ 320,233</u>



**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**1. Statutes of Incorporation and Nature of Activities**

The company is incorporated under the Canada Business Corporations Act and its business is the development of multi-media network applications with its broadband products, applications and services. The company designs, develops and markets network internet applications and products for wireless, digital television (DTV) and satellite networks.

**2. Significant Accounting Policies**

**Inventory**

Inventory is valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

**Property, Plant and Equipment**

Amortization of property, plant and equipment is calculated on the diminishing balance basis using the following rates:

Computer equipment	30%
Machinery, equipment furniture and fixtures	20%

**Incentive Stock Options**

The company has adopted a formal incentive stock option plan, which is described in Note 8. Compensation expense is not recognized for stock options. Any consideration paid by individuals on the exercise of stock options is credited to share capital. In the event options are cancelled, no adjustment is made to share capital and no expense is recognized.

**Income Taxes**

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at the carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

## **2. Significant Accounting Policies - Continued**

### **Revenue Recognition**

The Company recognizes revenue upon shipment when the significant risks and rewards of ownership are transferred to the customer. Title of the products is typically transferred to the customers at the time of shipment and payment is based on agreed prices and credit terms contained on sales invoices. Customers have no contractual right of return, except in the event of a quality issue.

### **Foreign Currency Translation**

Assets, liabilities, revenues and expenses arising from foreign currency transactions are translated to their Canadian equivalent at the rates of exchange in effect on the transaction date. At the balance sheet date, accounts payable and accounts receivable denominated in a foreign currency are adjusted to reflect the exchange rate in effect at the balance sheet date. Resulting exchange gains or losses on settlement or translation are included in the determination of net income for the current period.

### **Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods in such estimates could be significant.

## **3. Marketable Securities**

The company holds certain marketable securities with a market value at December 31, 2005 of \$131,266 (2004: \$56,000) recorded at a cost of \$1.



**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**4. Accounts Receivable**

	<u>2005</u>	<u>2004</u>
Trade accounts	\$ 573,951	\$ 232,455
Due from related company	22,515	9,341
Other	<u>74,416</u>	<u>13,896</u>
	670,882	255,692
Less allowance for doubtful accounts	<u>11,247</u>	<u>8,648</u>
	<u>\$ 659,635</u>	<u>\$ 247,044</u>

**5. Property, Plant and Equipment**

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 112,933	\$ 87,782	\$ 25,151	\$ 34,355
Machinery, equipment, furniture and fixtures	<u>258,265</u>	<u>153,543</u>	<u>104,722</u>	<u>128,858</u>
	<u>\$ 371,198</u>	<u>\$ 241,325</u>	<u>\$ 129,873</u>	<u>\$ 163,213</u>

**6. Bank Loan**

The company has credit facilities (demand operating loan) of \$350,000, at Royal Bank Prime + 0.50% secured by a collateral security agreement. As at December 31, 2005, the company had no unused credit facility.

The company has obtained an additional credit facility of \$500,000 which is designated for letters of credit.

# Novra Technologies Inc.

## Notes to the Financial Statements

December 31, 2005

### 7. Convertible Debt

	<u>2005</u>	<u>2004</u>
Convertible promissory notes, 7.0% payable semi-annually, principal due January 31, 2006	\$ 596,059	\$ 556,427
Convertible promissory notes, 7.0% payable semi-annually, principal due December 31, 2007	281,485	262,511
Convertible promissory notes, 7.0% payable semi-annually, principal due December 31, 2006	<u>523,206</u>	<u>          </u>
	1,400,750	818,938
Due within one year	<u>596,059</u>	<u>556,427</u>
	<u>\$ 804,691</u>	<u>\$ 262,511</u>

The company has the option of either paying the interest on the convertible note by cash on the interest due date, by the issuance of common shares at a price per share equal to the average trading price of Novra's common shares for the 30 day period prior to the interest due date less 10% or, does not pay the interest or does not initiate the conversion into common shares then the interest shall be deemed to form part of the principal.

The interest not paid and capitalized to principal during the year was \$81,812 (2004 - \$49,214).

The lender is in court appointed receivership and continues to be operated by the Receiver. The company continues to be in negotiations with the lender to extend the maturity date of those notes due January 31, 2006.

### 8. Share Capital

#### Authorized

The authorized share capital of the company consists of an unlimited number of common shares and an unlimited number of Class A preferred shares, all without par value.



**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**8. Share Capital - Continued**

**Issued**

The company has issued common shares of its capital stock as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Number of</u> <u>Shares</u>	<u>Amount</u>	<u>Number</u> <u>Shares</u>	<u>Amount</u>
Balance, beginning of the year	22,387,993	\$ 6,056,729	20,721,333	\$ 5,806,729
Issued during the year for cash			1,666,660	250,000
Balance, end of the year	<u>22,387,993</u>	<u>\$ 6,056,729</u>	<u>22,387,993</u>	<u>\$ 6,056,729</u>

During the prior year ended December 31, 2004 the Company completed a private placement of one (1) unit consisting of the following:

1,666,660 common shares in the capital of the Company, at a price of \$0.15 per share, for a cash consideration of \$249,999;

750,000 warrants, for a cash consideration of \$1, entitling the holder thereof to purchase one common share for each warrant held at an exercise price of \$0.50 per common share; and

a debenture of the Company in the principal amount of up to \$750,000, of which \$250,000 was advanced during 2004 and the remaining \$500,000 during 2005.

**Stock Options**

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of common shares of the company's capital stock issuable pursuant to options granted under the Plan may not exceed 3,600,000. Options granted under the Plan will have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the market price of the common shares (defined as the average closing market price of the company's common shares for the ten (10) trading days immediately preceding the day on which the TSX Venture Exchange receives notice regarding the granting of such options), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange

**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**8. Share Capital - Continued**

**Stock Options - Continued.**

The directors of the company approved an Incentive Share Option Plan, (the "Option Plan") which enables the company to provide additional incentive to employees to develop and promote the growth and success of the company. The Option may be exercised by the Optionee from time to time during the period from August 30, 2002 until and including August 30, 2006, as follows:

- As to twenty-five percent (25%)commencing August 30, 2002
- As to twenty-five percent (25%)commencing August 30, 2003
- As to twenty-five percent (25%)commencing August 30, 2004
- As to twenty-five percent (25%)commencing August 30, 2005.

A summary of the status of the company's stock option plan as at December 31, 2005 and December 31, 2004, and changes during the year then ended is as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Options outstanding, beginning of the year	1,895,000	\$ 0.50	1,895,000	\$ 0.50
Granted				
Expired	<u>(355,000)</u>	<u>0.50</u>		
Options outstanding, end of the year	<u>1,540,000</u>	<u>\$ 0.50</u>	<u>1,895,000</u>	<u>\$ 0.50</u>

The exercise price and expiry date of the stock options are as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,040,000	\$ 0.50	August 30, 2006
<u>500,000</u>	<u>\$ 0.50</u>	<u>January 31, 2008</u>
<u>1,540,000</u>		

Based on the current market price at December 31, 2005, the fair value expense of stock options would not incur any compensation expense.



**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**8. Share Capital - Continued**

**Warrants**

The company has outstanding 750,000 share purchase warrants exercisable to purchase one common shares as follows:

750,000 common shares at a price of \$0.50 per common share on or before January 15, 2007.

**9. Financial Instruments**

The company's financial instruments consist of cash and short term investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value, unless otherwise noted.

**10. Industrial Research Assistance Program**

The company entered into a repayable contribution agreement with the National Research Council (NRC) of Canada's Industrial Research Assistance Program (IRAP) under which NRC shared the costs of certain research and development with the company over the period August 13, 2001 to August 15, 2002.

Cost sharing received and receivable from NRC by Novra Technologies Inc. related to research and development activities, from August 13, 2001 to August 15, 2002, totaled \$498,000. Cost sharing received is repayable in the form of royalties based on future gross revenue of the company. Beginning on January 1, 2004 and at the beginning of every quarter thereafter up to and including December 31, 2007 the company shall repay to NRC:

0.24 percent of the company's gross revenues for the quarter preceding the repayment.

The amount expensed by the company in 2005 is \$10,443 (2004: \$5,162).

In a prior year, the company entered into an agreement with NRC to contribute to a maximum of \$80,000 towards costs occurred for the period December 16, 2002 to March 31, 2003.

**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**11. Income Taxes**

Future income tax asset:

The tax effect of the temporary difference that give rise to future tax assets are presented below:

	<u>2005</u>	<u>2004</u>
Future tax assets:		
Tax loss carry forward	\$	\$ 813,448
Resource related deductions	<u>209,658</u>	<u>209,658</u>
Total gross future tax assets	209,658	1,023,106
Valuation allowance	<u>209,658</u>	<u>1,023,106</u>
Total future tax asset	<u>\$ -</u>	<u>\$ -</u>

Loss carry forwards:

The company has approximately \$4,937,195 of non-capital losses available to reduce taxable income in future years as follows:

Tax Loss	Year of Expiry
\$201,814	2007
1,041,581	2008
1,439,465	2009
1,440,868	2010
813,467	2015

**Novra Technologies Inc.**  
**Notes to the Financial Statements**  
**December 31, 2005**

**12. Related Party Transactions**

During the year the company had revenue of \$61,231 (2004: \$45,625) and incurred costs for occupancy and other expenses of \$57,891 (2004: \$69,603) with a related company controlled by shareholders.

The above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

**13. Commitments**

Payments on a building lease expiring November 30, 2007 amount to \$144,517. They will become due as follows:

2006	\$ 75,400
2007	<u>69,117</u>
	<u>\$ 144,517</u>

**14. Contingent Liability**

A director of the company has made a claim for a maximum amount of \$60,000 based on a contract with the corporation that was in effect prior to the amalgamation with Novra Technologies Inc. Management is of the opinion that there is no merit to the claim and have not set up any provision for this in the financial statements. Any costs incurred will be expensed when the amount, if any, is determined.

**15. Subsequent Event**

On January 1, 2006, the company entered into a contract with one of their customers for the licensing of its software which will be paid in 2006. In addition, the contract requires royalty payments to be made by the customer for software sales for the next five years.

**16. Comparative Figures For The Prior Year**

In certain instances 2004 amounts presented for comparative purposes have been reclassified to conform to the financial statement presentation adopted for the current year.



# Novra Technologies Inc.

## Schedule of Expenses

For The Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Cost of sales		
Employee benefits	\$ 9,179	\$ 11,867
Materials	1,918,639	650,725
Freight	91,212	37,860
Salaries	172,909	129,839
Other	<u>5,154</u>	<u>5,781</u>
Total	<u>\$ 2,197,093</u>	<u>\$ 836,072</u>
Business development and marketing		
Advertising, conference/show	\$ 17,423	\$ 7,598
Employee benefits	10,728	7,490
Purchased services	227,650	111,432
Salaries	138,991	159,116
Travel	41,199	56,559
Other	<u>9,152</u>	<u>26,439</u>
Total	<u>\$ 445,143</u>	<u>\$ 368,634</u>
General and administrative		
Employee benefits	\$ 8,409	\$ 14,503
Interest on long-term loan	90,372	55,279
Occupancy costs	92,095	135,248
Professional fees	46,886	53,102
Salaries	148,603	190,608
Other	<u>88,838</u>	<u>89,007</u>
Total	<u>\$ 475,203</u>	<u>\$ 537,747</u>
Research and development		
Employee benefits	\$ 30,971	\$ 37,348
Materials and supplies	15,732	11,914
Purchased services	55,024	79,366
Salaries	484,271	566,544
Other	<u>12,010</u>	<u>12,583</u>
Total	<u>\$ 598,008</u>	<u>\$ 707,755</u>



## Form 52-109F1 Certification of Annual Filings

I, Harris Liontas, President and CEO of Novra Technologies Inc., certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Novra Technologies Inc. (the issuer) for the period ending December 31, 2005;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
  - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 19, 2006

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"Harris Liontas"  
President and CEO



## Form 52-109F1 Certification of Annual Filings

I, Peter Wintemute, a Director of Novra Technologies Inc., certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Novra Technologies Inc. (the issuer) for the period ending December 31, 2005;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
  - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 19, 2006

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"Peter Wintemute"  
Director





**novra**  
TECHNOLOGIES INC.

**Management's Discussion and Analysis  
For the Fiscal Year Ending**

**December 31, 2005**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The following discussion is a review of activities and results for the year ended December 31, 2005. This commentary should be read in conjunction with the audited financial statements and notes included in this report. Certain statements in this report may constitute forward-looking statements; such statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results implied by such forward looking statements. All amounts are stated in Canadian dollars unless otherwise noted.

Additional information related to the Company is available online from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or from the Company's website ([www.novra.com](http://www.novra.com))

### **Background**

Novra Technologies Inc. ("Novra" or the "Company") offers premium broadband products, applications and services for the cable, satellite and terrestrial broadcast markets. Novra's products are standards-compliant and enable delivery of Internet, multi-media files, weather data, video (IP-TV) and audio streams using the Internet Protocol (IP) over DVB/MPEG digital TV broadcasts. Novra has three product families: DVB-IP encapsulators, broadband receivers, and a multimedia distribution and management system for digital signage and captive audience networks. Novra's products are sold worldwide through sales agents, resellers, and service provider partners.

In the global satellite market our broadband receivers and encapsulators are component parts for a variety of delivery systems and applications. The marketing and sales strategies include provision of evaluation units for testing and qualification by all the major satellite operators; customizing our products for specific customer-driven applications such as reception of weather information, DTH (Direct To Home TV) for multi-dwelling sites, Video-on-demand for the hospitality industry, as well as the development of partnerships and reseller agreements with system integrators, total solution providers and satellite equipment resellers.

In the USA ATSC (the new standard for High definition TV) broadcast market, datacasting is seen by broadcasters as a new revenue source to offset costs of transitioning to digital television. Public broadcasters and several key solution providers are leading the way in exploring and developing applications for datacasting. Homeland security is the main driving application in this market and related pilot projects and trials are underway. Novra's strategy has been to identify and partner with key integrators and PBS stations in the USA and to become an active participant in pilot projects and tests within Canada.

NovraLink, Novra's digital signage offering is more than a set of components. It is a complete solution designed for the management and delivery, from a central location, of audio and video media to digital signs, in-store TV, and captive audience networks. Novra is developing strategic partners with solutions providers, business TV operators, and audio/visual integrators who can work with Novra to bring turnkey solutions to markets across the World.



## **Overall Performance**

During the 2005 fiscal year, Novra's sales increased by over 147% to \$4,249,855 compared to sales of \$1,717,443 for 2004, which enabled the company to become profitable. We are pleased with the company's performance as this is the third consecutive year that the company has shown significant year-over-year product sales improvements of 85% to 147% per year despite the appreciation of the Canadian Dollar against the US dollar which is the currency for all of our sales.

These results are, in large part, due to our marketing efforts in the past 24 months targeting service providers along with the establishment of our international reseller network that is now beginning to show strong results. Starting in late 2004 we noticed an increase in the number of requests from various international integrators and service providers to become resellers of our products. Our main marketing focus is to continue the expansion of our reseller network and systems integrators in the USA, Europe and the Far East.

The company also received a \$225,000 contract to enhance our IP Encapsulators to make them compatible with the DVB-S2 standard. Our sales for 2005 reflect a 60% milestone payment under this contract. This contract will be completed by the end of December 2006.

During the second quarter we received an initial order from our Japanese distributor of over 2,000 units of our S75 receiver and in third and fourth quarters of 2005 we also received follow-on orders for an additional 8,000 units. These units are used to distribute IP-TV in Japan. IP-TV is a new method to distribute video to many locations using the Internet Protocol (IP) standards.

During 2005 we established a new European reseller for our NovraLink digital signage products and as a result of this relationship we now have several new pilot projects outside of the UK. In the UK our NovraLink players have been installed in approximately 2000 locations for digital signage and entertainment applications through our reseller Avanti Screenmedia. In 2005 we shipped over 700 of our NovraLink digital signage players and late in December we licensed our NovraLink software suite to one of our European resellers. This will result in an up-front fee to be paid to Novra in 2006 and the agreement includes a per client license fee going forward.

Starting January of 2005 we changed our pricing model for our Digital signage products. These products are now sold at a lower price but the client now pays a licensing fee every year while the product is in operation. These changes have given the company a source of annual recurring revenue.

Starting in the last quarter of 2005, we noticed an increase in the number of requests from various international integrators and service providers for our NovraLink product offerings. Our main marketing focus for 2006 is to establish NovraLink resellers around the world.

Novra continued with its research and development on a new family of Satellite receivers along with continued enhancements to its NovraLink products, which are targeted for digital signage applications and entertainment (music and video) services for the hospitality industry. The design enhancements implemented on these products were intended to improve performance, add new functionality and reduce the cost of manufacturing.

## Results from Operations

*Amounts are Canadian Dollars*

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Sales	\$ 4,249,855	\$ 1,717,443	\$ 448,297
Cost of Sales	<u>2,197,093</u>	<u>836,071</u>	<u>199,939</u>
Gross Margin	<u>\$ 2,052,762</u>	<u>\$ 881,372</u>	<u>\$ 248,358</u>

Sales for fiscal year 2005 increased by 147% from 2004, the Company achieved sales of \$4,249,855 (2004, \$1,717,443). This increase is due to an increase of orders for our NovraLink SSP100 units (Novra's Video Player), along with Novra successfully securing a number of orders for its IP Encapsulator for a number of US and international clients. Our S75 orders also increased due to receiver sales to Japan as our S75 receivers are used to deliver IP-TV services. Our receiver sales are generally increasing as our products are becoming accepted in the industry. Additional orders for Novra's receivers by various US, Canadian and International based integrators for various Government and private telecommunications projects within North America and internationally helped us achieve increased sales. We have sold and shipped about 25,000 receivers World wide in the past 36 months.

Also, starting January of 2005 we moved resources from development to customer service and support. These costs are also reflected in the Cost of Sales which has also attributed to a lower gross margin for the year.

## Operating Costs

*Amounts are Canadian Dollars*

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Amortization	\$ 33,340	\$ 46,937	\$ 43,228
Business development and marketing	445,143	368,634	202,384
Corporate and investor relations services	9,812	17,665	32,596
Directors' fees and expenses	35,011	67,753	55,894
General and administrative	464,760	537,746	330,287
Industrial Research Assistance Program	10,443	-	
Management fees			30,000
Research and development	<u>598,008</u>	<u>707,755</u>	<u>744,084</u>
	<u>\$ 1,596,517</u>	<u>\$ 1,746,490</u>	<u>\$ 1,438,473</u>

Operating expenses for 2005 were lower by \$149,973 mainly as a result of streamlining our research and development (R&D) activities as we move from a R&D focused entity to an entity based on sales and marketing. During the fiscal year end 2005, the Company incurred Operating costs of \$1,596,517 (2004, \$1,746,490) which costs consist mainly of salaries paid to the employees of Novra for research and development, administration, customer support and marketing of its products.

Our marketing expenses increased by \$76,509 for the year to reflect our marketing efforts to expand our reseller network and to assist and support our resellers.

### ***Income (Loss) for the Period***

*Amounts are Canadian Dollars*

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Income (Loss) from operations	\$ 401,832	\$ (897,397)	\$ (1,183,261)

We continued to expense all of our research and development expenses. Accordingly, in for Fiscal Year 2005, Novra generated a profit of \$401,832 or \$0.018 per share compared to a loss of (\$897,397) (\$0.042 per share) in the comparable period in 2004.

### **Liquidity and Capital Resources**

The Company anticipates that it will continue to invest in research and development in the coming year, however, it is anticipated that research, development and engineering costs will not increase as the Company expands its business development and marketing efforts. The Company is currently estimating that salaries, benefits and general and administrative fees, including the costs of research and development and marketing and business development, will aggregate approximately \$130,000 per month.

At December 31, 2005, Novra had a cash position of approximately \$1,597,383 and accounts payable of \$607,716, along with a bank loan of \$350,000; and accounts receivable, inventory and prepaid expenses of \$977,600. In comparison, at December 31, 2004, Novra had a cash position of \$645,233, accounts payable of \$386,408 and accounts receivable, inventory and prepaid expenses of \$666,459.

The company reached an agreement with the lender for an amendment to the agreement in respect of the maturity date of the convertible note of \$596,059 maturing September 30, 2005 to extend the maturity date to January 31, 2006. The company is currently in negotiating with the lender to further extend the maturity date. There can be no assurance that we will be successful in extending the repayment of this loan.



## Quarterly Information

<i>Amounts are Canadian Dollars</i>	<u>Dec 31/05</u>	<u>Sept 30/05</u>	<u>Jun 30/05</u>	<u>Mar 31/05</u>
Revenue from continuing operations	2,159,946	1,144,319	409,544	536,046
Net earnings (loss) from continuing operations	387,319	255,705	(150,280)	(90,912)
Net loss from discontinued operations	Nil	Nil	Nil	Nil
Net earnings (loss)	<u>387,319</u>	<u>255,705</u>	<u>(150,280)</u>	<u>(90,912)</u>
Per share	0.017	0.011	(0.007)	(0.004)

<i>Amounts are Canadian Dollars</i>	<u>Dec 31/04</u>	<u>Sept 30/04</u>	<u>Jun 30/04</u>	<u>Mar 31/04</u>
Revenue from continuing operations	373,943	548,617	228,476	566,407
Net earnings (loss) from continuing operations	(306,795)	(134,924)	(329,148)	(126,530)
Net loss from discontinued operations	Nil	Nil	Nil	Nil
Net earnings (loss)	<u>(306,795)</u>	<u>(134,924)</u>	<u>(329,148)</u>	<u>(126,530)</u>
Per share	(0.016)	(0.006)	(0.014)	(0.006)

## Share Capital

	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Number of</u>		<u>Number</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Balance, beginning of the period/year	22,387,993	\$6,056,729	20,721,333	\$5,806,729
Issued during the period/year for cash	-	-	1,666,660	250,000
Balance, end of the period/year	<u>22,387,993</u>	<u>\$6,056,729</u>	<u>22,387,993</u>	<u>\$6,056,729</u>

In January, 2004, pursuant to an agreement entered into in December, 2003, Crocus Investment Fund ("Crocus") purchased one unit of Novra, consisting of 1,666,660 common shares and 750,000 warrants for \$250,000. Each warrant entitles the holder to purchase one common share for each warrant held from Novra's treasury, exercisable at any time within 36 months after closing, at an exercise price of \$0.50 per common share. In addition, Crocus has entered into a loan agreement with Novra, that any time prior to December 31, 2007 Crocus will commit to advance up to a maximum amount of \$750,000 to Novra, if, as and when required by Novra and upon the satisfaction of certain conditions, in exchange for the issuance by Novra to Crocus of convertible promissory notes in the principal amount of each respective advance. The promissory notes shall bear interest at a rate of 7% per annum and interest thereon shall be payable semi-annually or added to the principal amount outstanding. Novra has the option to satisfy the interest payments under the notes by issuing to Crocus common shares in the capital of Novra based on the average closing price of Novra's common shares over the 30 days immediately prior to the interest due date less ten percent. The principal amount of each promissory note outstanding may be convertible into common shares of Novra, up to the maturity date, at a conversion price of \$0.50 per common share. Crocus has advanced \$750,000 of this loan to Novra.

## Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of common shares of the company's capital stock issuable pursuant to options granted under the Plan may not exceed 3,600,000. Options granted under the Plan will have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the market price of the common shares (defined as the average closing market price of the company's common shares for the ten (10) trading days immediately preceding the day on which the TSX Venture Exchange receives notice regarding the granting of such options), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange.

The directors of the company approved an Incentive Share Option Plan, (the "Option Plan") which enables the company to provide additional incentive to employees to develop and promote the growth and success of the company. The Option may be exercised by the Optionee from time to time during the period from August 30, 2002 until and including August 30, 2006, as follows:

*As to twenty-five percent (25%) commencing August 30, 2002*

*As to twenty-five percent (25%) commencing August 30, 2003*

*As to twenty-five percent (25%) commencing August 30, 2004*

*As to twenty-five percent (25%) commencing August 30, 2005*

A summary of the status of the company's stock option plan as of December 31, 2005 and December 31, 2004, and changes during the period/year then ended is as follows:

	<b>December 31, 2005</b>		<b>December 31, 2004</b>	
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Options outstanding, beginning of the period/year	<b>1,895,000</b>	0.50	1,895,000	0.50
Granted				
Expired	<b>(355,000)</b>	0.50	-	-
Options outstanding, end of the period/year	<b><u>1,540,000</u></b>	<u>0.50</u>	<u>1,895,000</u>	<u>0.50</u>

The exercise price and expiry dates of the stock options are as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,040,000	\$ 0.50	August 30, 2006
<u>500,000</u>	\$ 0.50	January 31, 2008

Based on the current market price at December 31, 2005, the fair value expense of stock options would not incur any compensation expense.



## **Warrants**

The company has outstanding 750,000 share purchase warrants exercisable to purchase one common share as follows:

*750,000 common shares at a price of \$0.50 per common shares on or before January 15, 2007.*

## ***Operating Risks and Uncertainties***

Novra is subject to a number of risk factors including competition, availability of financing for operating or capital needs and general economic conditions. In addition, Novra's business is focused on a market niche that has not been fully addressed with software solutions, and hence its operations are subject to a high level of uncertainty and risk. As Novra's target market is evolving, it is difficult to predict the size of the market, the future growth rate, if any, or the level of prices the market will pay for Novra's products. There can be no assurance that the market for Novra's products will emerge to a profitable level or be sustainable. There can be no assurance that any increase in marketing and sales efforts will result in a larger market or increase in market acceptance for Novra's products. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, or if Novra's products do not achieve or sustain market acceptance, Novra's proposed business, results of operations and financial condition will be materially and adversely affected.

Risks associated with our business & operations also include some of the following:

**An aggregate \$596,059 of secured convertible promissory note is due on September 30, 2005.** The company reached an agreement with the lender for an amendment to the agreement in respect of the maturity date of the convertible note of \$596,059 maturing September 30, 2005 to extend the maturity date to January 31, 2006. The company continues to be in negotiations with the lender to further extend the maturity date. There can be no assurance that we will be successful in extending the repayment of this loan.

**We cannot be sure we will be able to identify emerging technology and market trends, enhance our existing technologies or develop new technologies in order to effectively compete in the satellite communications and cable industries.** The satellite communications industry is characterized by rapid technological changes and product life cycles, pressure to provide improved solutions at increasingly lower prices and frequent introduction of new technologies and products to meet market requirements. To increase sales, our products must meet the needs of our customers and potential customers and must be competitively priced. Additionally, there must be sufficient interest in and demand for our products. If we do not develop these new technologies and products in a timely and cost effective manner, or if others develop new technologies before us, we will not achieve profitability and we may not be able to participate in selling these new technologies or products.



**We cannot be sure that we will be able to compete effectively with our current competitors.**

**We have no intellectual property protection.** Our success and ability to compete are dependent, in part, upon proprietary technology. Due to the rapid technological change in our markets and since our technology is, in part, proprietary, we rely primarily on trade secrets and we do not have patent applications to protect our technology. We also enter into confidentiality, and non-compete agreements with our employees and limit the access to and distribution of our product design documentation and other proprietary information. We cannot be sure that these efforts will deter misappropriation or prevent an unauthorized third party from obtaining or using information, which we deem to be proprietary. Although we believe that our technology does not currently infringe upon patents held by others, we cannot be sure that such infringements do not exist or will not exist in the future, particularly as the number of products and competitors in our industry segment grows.

**We depend on our key employees and we cannot be sure that we will be able to keep these employees or hire and train replacements.**

**We may be subject to product liability claims, which are not fully covered by insurance.**

**Since we sell our products internationally, we face financial risks associated with currency fluctuations and other risks relating to our international operations, which may adversely impact our business and results in operations.**

**We have not been profitable in the past and we have had to rely on the sale of our securities and on debt financing to fund our business operations and may have to continue to rely on the sale of securities and on debt financing in the future.**



